

OFFICE OF THE
**LEGISLATIVE
FISCAL
ANALYST**

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MEMORANDUM FOR EXECUTIVE APPROPRIATIONS COMMITTEE

FROM: Andrea Wilko, Chief Economist

DATE: December 15, 2020

SUBJECT: The Impact of Federal Stimulus on State Revenue

The federal government has injected over \$11 billion into Utah's economy, or approximately 6% of Utah's 2019 GDP in Coronavirus relief funding. Federal stimulus in CY 2020 is more than 50% of the total state budget.

While stimulus itself is not taxed, spending created by stimulus is taxable. For this reason, the increased federal funds have resulted in better than expected General and Education Fund collections when compared to June estimates.

Federal Stimulus	CY 2020
Corona Virus Relief - State	688,000,000
Corona Virus Relief - Local	562,000,000
Federal Grants to State Agencies	585,000,000
Federal Grants to Local Agencies	322,000,000
Paycheck Protection Program	5,205,000,000
Individual Stimulus Aid	2,494,000,000
Misc. Aid to Health Care and Businesses	1,493,000,000
Total Federal Stimulus	<u>\$11,349,000,000</u>
Percent of Utah's GDP	6.02%

Although the preliminary outlook for revenues to both state funds appears optimistic, the better-than-anticipated outcomes are likely the result of income tax delays and significant federal stimulus actions, the future of which remains largely uncertain. Economists evaluated the impact that federal spending has had on state revenue and anticipated that it could be up to \$450 million in General and Education Funds. The estimates by category are shown below. The Legislature may want to consider treating this anomalous revenue as one-time for budgeting purposes.

Federal Stimulus (in Millions)	Income	Sales	Total
Corona Virus Relief Fund (State and Local)	2	-	2
Education Stabilization Fund	1	-	1
Unemployment Insurance Enhancements	55	20	75
Lost Wages Assistance	2	1	3
Paycheck Protection Program	210	64	274
Federal Stimulus Payments	60	35	95
Total State Revenue	<u>\$330</u>	<u>\$120</u>	<u>\$450</u>

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